

For further information	Issued by
<p>André F Oberholzer Group Head Corporate Affairs Sappi Limited Tel +27 (0)11 407 8044 Mobile +27 (0)83 235 2973 Andre.Oberholzer@sappi.com</p> <p>Tracy Wessels Group Head Sustainability and Investor Relations Sappi Limited Tel +27 (0)11 407 8391 Mobile +27 (0) Tracy.wessels@sappi.com</p>	<p>Brunswick on behalf of Sappi Limited Tel + 27 (0) 11 502 7300</p>

PO Box 52264
2132 Saxonwold
SOUTH AFRICA
Tel +27 (0)11 407 8111

www.sappi.com

Media release

Johannesburg, 09 November 2023

Sappi announces satisfactory earnings and declares dividend; releases financial results for fourth quarter and full year

Commenting on the group's results, Sappi Chief Executive Officer Steve Binnie said: "Following the records achieved in FY2022, I am pleased that we have been able to deliver a satisfactory set of results under particularly difficult circumstances with an EBITDA excluding special items of US\$731 million for the year ended September 2023. The widespread disruption caused by ongoing geopolitical instability, weak global economic growth, rising interest rates, and an underperforming Chinese economy negatively impacted markets for our products.

Despite 2023 being one of the most challenging downcycles experienced in the pulp and paper industry, with demand for our paper products falling below that of the Covid-19 pandemic years, we achieved some significant milestones. The South African business delivered record EBITDA and North America the second highest ever EBITDA. The group generated significant cash which enabled a further reduction of net debt at year end to US\$1,085 million, the lowest level in 30 years.

Amidst the persistently volatile and challenging macroeconomic environment, we demonstrated adaptability and persistence and remained committed to our Thrive25 strategy."

The unfavourable trading conditions faced in 2023 were further exacerbated by a prolonged period of downstream inventory destocking as buyers slowly worked through inventories that had been built up in the second half of 2022. In response to these headwinds, we concentrated on preserving selling prices, efficiently managed our capacity and inventories to optimise working capital and implemented various cost-saving initiatives across our operations, all of which positively contributed to the earnings performance.



Graphic paper demand declined sharply and remained weak throughout the year due to weak consumer confidence related to the slowing economy and an inventory destocking cycle that took longer than anticipated. Sales volumes declined 38% year-on-year and production curtailments were required to manage these weak demand dynamics. Selling prices were 14% higher than the prior year and remained resilient.

In response to the market overcapacity and in line with Sappi's strategy to reduce exposure to graphic paper markets, we made the difficult decision to close the Stockstadt Mill and initiated a consultation process for the potential closure of the Lanaken Mill shortly after year end.

The packaging and speciality papers segment faced similar weak trading conditions related to high levels of downstream inventory and muted consumer demand. Positive year-on-year pricing gains of 7% were insufficient to offset input cost inflation and a 22% reduction in sales volumes leading to a decline in the segment's profitability.

The same market dynamics of elevated stock levels and negative consumer sentiments dampened demand and pricing for textile fibres in the early part of the year. However, viscose staple fibre (VSF) operating rates in China improved steadily as economic activity resumed from the third quarter onwards. Operating rates in the VSF industry remained at a high level through the remainder of the year and downstream VSF inventories dropped below historical levels, which supported demand for dissolving pulp (DP).

Sustainability serves as the cornerstone of our Thrive25 strategy, as we strive to be a trusted, transparent and innovative partner in building a biobased circular economy. Regrettably, production curtailments significantly impeded our operational efficiency, causing us to fall short of our Planet-related targets for the year. We are pleased to have made significant strides in achieving our People-related targets and attained our best ever safety performance. We remain steadfast in our commitment to either meet or surpass all of our Thrive25 sustainability goals.

Looking forward, Binnie stated: "The stronger balance sheet with a significantly reduced debt profile and healthy cash reserves provides us with flexibility to navigate the headwinds of cyclical downturns and positions the business well to deliver on our Thrive25 strategy to reduce exposure to graphic paper markets while investing for growth in our target markets.

Persistent global macroeconomic challenges and generally subdued consumer sentiment continue to impact the demand for many of our products. Notwithstanding the gradual recovery in pulp and paper markets and taking into consideration the impact of the scheduled maintenance shuts, we anticipate that the EBITDA for the first quarter of FY2024 will be below that of the fourth quarter in FY2023."



Financial summary for the quarter and full year

- EBITDA excluding special items
 - For the quarter US\$168 million (Q4 FY22 US\$391 million)
 - For the year US\$731 million (FY22 US\$1,339 million)
- Profit/ Loss for the period
 - Loss for the quarter US\$40 million (Q4 FY22 profit US\$26 million)
 - Profit for the year US\$259 million (FY22 US\$536 million)
- EPS excluding special items
 - For the quarter 6 US cents (Q4 FY22 44 US cents)
 - For the year 52 US cents (FY22 138 US cents)
- Net debt US\$1,085 million (FY22 US\$1,163 million)
- Dividend 15 US cents per share (FY22 15 US cents per share)

Operating performance for the fourth quarter was ahead of expectations enabling the group to deliver EBITDA excluding special items of US\$168 million, which was a marked improvement from the low of US\$106 million achieved in the prior quarter. A small recovery in graphic paper sales volumes and record pulp sales volumes combined with lower variable costs and currency exchange rate benefits in the South African business boosted profitability. Despite the improvement, the group continued to experience challenging trading conditions related to the weak global economy and lingering customer destocking.

Demand for DP remained robust during the quarter supported by high operating rates for VSF producers and low downstream VSF inventories in China. Additionally, textile fibre prices slowly increased and hardwood paper pulp prices shifted from their recent lows. Sales volumes in the pulp segment increased 10% year-on-year reflecting improved production at the Saiccor Mill and strong demand from our customers. The average sales prices for the pulp segment were 15% below the elevated levels of the prior year which eroded margins.

In a challenging environment where demand for graphic paper remained suppressed, sales volumes for the segment improved by 13% compared to the prior quarter. Year-on-year sales volumes were however down by 36% reflecting the ongoing macroeconomic challenges and necessitating production curtailments across the graphic paper assets in Europe and North America.

The market conditions for the packaging and speciality papers segment were also impacted by high inventory levels and the unfavourable economic climate. Segmental sales volumes improved by 9% compared to the prior quarter but were 18% lower than last year.

Profitability of the European business was severely impacted by ongoing production curtailments required to manage the effect of extremely weak demand for our paper products. Cost savings were insufficient to offset the substantially lower sales volumes and lower pricing compared to the prior year.



Profitability of the North American business improved from the lows of the third quarter and the full year EBITDA of US\$267 million was the second highest in the region's history. Strategic investments in recent years in pulp and packaging and speciality papers have created a more resilient and diversified product portfolio, significantly enhancing profitability and buffering the business from the impact of cyclical economic swings. Our strategic project to convert and expand Somerset PM2 from coated wood free paper to solid bleached sulphate paperboard progressed well during the quarter and is on track for start-up in 2025.

The South African business delivered a record EBITDA for the financial year of ZAR6,035 billion, an excellent achievement within a challenging local operating environment with significant power and transport infrastructure headwinds. The success was broad based with good performance across all product segments.

Dividends

On 8 November 2023, the directors approved a dividend (number 90) of 15 US cents per share which will be paid to shareholders on 15 January 2024. The dividend will be funded from cash reserves.

Outlook

Dissolving pulp markets appear more positive as VSF operating rates continue to be strong and the differential between cotton and VSF pricing remains supportive. Hardwood DP market pricing has increased in recent weeks to US\$880 per ton. Additionally, paper pulp pricing has also moved into an upward trajectory, which will benefit our high yield pulp sales. DP sales volumes in the first quarter will however be lower than the prior quarter due to scheduled maintenance shuts at all three of our DP mills.

It has become apparent that demand for graphic papers has experienced a permanent structural decline. Sappi remains committed to our stated strategy to reduce exposure to graphic paper markets and will proactively manage overcapacity through conversion and expansion of the Somerset PM2 graphic paper asset to solid bleached sulphate paperboard in the US in 2025 and rationalisation of the European capacity through closure of the Stockstadt Mill and potential closure of the Lanaken Mill. It is anticipated that strategic action in the European region will significantly improve the capacity utilisation of the graphic paper assets and improve the fixed cost position of the business in the second half of the year.

The long-term favourable outlook for our sustainably produced packaging and speciality paper products remains unchanged, however in the short-term challenges persist. The destocking process in the segment is taking longer than expected and the macroeconomic landscape remains unpredictable, which is likely to continue to weigh on consumer sentiment. We



therefore do not expect any meaningful recovery in the first quarter of the financial year. Sappi is well positioned to benefit from the turn in the cycle.

Variable costs have reduced from the peak in the first half of the 2023 financial year but still remain high relative to historical levels. Global pulp prices have started rising in recent weeks and wood costs remain elevated. Additionally, recent heightened geopolitical issues may cause additional volatility in energy markets. Cost inflation is therefore a risk in the coming quarters. We continue to proactively implement cost containment initiatives to mitigate the risk of higher costs. In the first quarter, the Ngodwana, Saiccor and Cloquet Mills will take scheduled maintenance shuts, which will have an estimated US\$40 million impact on group profitability.

Capital expenditure for FY2024 is estimated to be in the region of US\$500 million including approximately US\$154 million for the Somerset PM2 project. Our capital investment programme is focused on operational efficiencies, enhancing our product offerings, improving our environmental footprint and growing our packaging business.

Deleveraging of our balance sheet has been material and combined with substantial cash reserves we are well positioned to navigate any market challenges in the coming year. We remain encouraged by the increasing resilience of our business and opportunities for growth in our packaging and pulp segments. Through our Thrive25 strategy we are committed to strengthening our competitive position and delivering sustained shareholder value.

ENDS

The full results announcement is available at www.sappi.com

There will be a conference call to which investors are invited. Full details are available at www.sappi.com using the links Investors; Latest financial results

Forward-looking statements

Certain statements in this release that are neither reported financial results nor other historical information, are forward-looking statements, including but not limited to statements that are predictions of or indicate future earnings, savings, synergies, events, trends, plans or objectives. The words “believe”, “anticipate”, “expect”, “intend”, “estimate”, “plan”, “assume”, “positioned”, “will”, “may”, “should”, “risk” and other similar expressions, which are predictions of or indicate future events and future trends and which do not relate to historical matters, identify forward-looking statements. In addition, this document includes forward-looking statements relating to our potential exposure to various types of market risks, such as interest rate risk, foreign exchange rate risk and commodity price risk. You should not rely on forward-looking statements because they involve known and unknown risks, uncertainties and other factors which are in some cases

beyond our control and may cause our actual results, performance or achievements to differ materially from anticipated future results, performance or achievements expressed or implied by such forward-looking statements (and from past results, performance or achievements). Certain factors that may cause such differences include but are not limited to:

- the highly cyclical nature of the pulp and paper industry (and the factors that contribute to such cyclicity, such as levels of demand, production capacity, production, input costs including raw material, energy and employee costs, and pricing);*
- the COVID-19 pandemic;*
- the impact on our business of adverse changes in global economic conditions;*
- unanticipated production disruptions (including as a result of planned or unexpected power outages);*
- changes in environmental, tax and other laws and regulations;*
- adverse changes in the markets for our products;*
- the emergence of new technologies and changes in consumer trends including increased preferences for digital media;*
- consequences of our leverage, including as a result of adverse changes in credit markets that affect our ability to raise capital when needed;*
- adverse changes in the political situation and economy in the countries in which we operate or the effect of governmental efforts to address present or future economic or social problems;*
- the impact of restructurings, investments, acquisitions, dispositions and other strategic initiatives (including related financing), any delays, unexpected costs or other problems experienced in connection with dispositions or with integrating acquisitions or implementing restructurings or other strategic initiatives, and achieving expected savings and synergies;*
- currency fluctuations.*

We undertake no obligation to publicly update or revise any of these forward-looking statements, whether to reflect new information or future events or circumstances or otherwise.

